United States Court of Appeals

for the Second Circuit

APPELLEE'S BRIEF

NO. ~~75-6585~~ 75-7685

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
DOCKET NO. 75-6585

GEORGE T. BRAVY, JOSEPH ANZALONE, RAYMOND BENOIT, BERNARD BERKOWITZ, JOHN BLANDEBURGO, DAVID CAMPBELL, OTTAVIO FAZIO, HARRY FINNIGEN, ROBERT GORDON, JOHN GROGAN, JOSEPH HIGGINS, KENNETH KRAUS, JOSEPH LAMENDOLA, LOUIS LINHART, THOMAS LONGOBARDI, LEONARD MALLON, FRANCIS McCALL, DANIEL McCARTHY, WILLIAM McCARTHY, FREDERICK MOONEY, GEORGE NORTON, JOHN J. O'BRIEN, GEORGE ODONITS, VINCENT SALAMONE, DOMINICK SANSOSTI, SANTO SFOGLIANO, ERNEST SLAGUS, WALTER SLUTSKY, STANLEY STRYJEWSKI, VINCENT TUMMARELLO and EUGENE VAUGHAN,

Plaintiffs-Appellants,

-against-

JAMES H. TULLY, Jr., Commissioner, New York State Department of Taxation and Finance; NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM; NEW YORK STATE DEPARTMENT OF TAXATION AND FINANCE, and ARTHUR LEVITT, Comptroller, State of New York,

Defendants-Appellees.

B
P/S

ON APPEAL FROM THE
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

BRIEF FOR DEFENDANTS-APPELLEES

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TABLE OF CONTENTS

TABLE OF CASES AND CITATIONS

TABLE OF CASES AND CITATIONS (cont'd)

CONSTITUTION OF THE STATE OF NEW YORK

NEW YORK STATUTES

MISCELLANEOUS

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BRIEF FOR DEFENDANTS-APPELLEES

The Issues Presented

This case asserts a claim that New York State Retirement and Social Security Law, §§ 40(e), 210, 211, 212, 213, 214, 215 and 216 deprive appellants of vested rights in public pension benefits and the right to continue in the employment of the

State of New York.

Appellees maintain that the statutes in question do not deprive appellants of constitutionally protected rights, and to the contrary, actually facilitate the re-employment of public pensioners.

Statement of the Case

The Proceedings Below

Plaintiffs-Appellants have appealed from an order and judgment of the United States District Court for the Northern District of New York (James T. FOLEY, D.J.), entered on November 14, 1975, which denied plaintiffs-appellants' motion to convene a three-judge court in this action and granted the motion by defendants-appellees to dismiss the complaint for failure to state a claim upon which relief can be granted.

Statement of Facts

Appellants are all presently employed by the New York State Department of Taxation and Finance as Excise Tax Investigators, a position in the competitive class.

Prior to their present employment, appellants were employed by the Police Department of the City of New York. They have all retired from that service, and are receiving pensions from the Police Department Pension Fund.

Each of the appellants was, subsequent to his retirement, appointed to State service from an eligible list resulting from

successful completion of a competitive examination. However, in order to permit their employment without suspension or diminution of their City pensions, they were appointed under the authority of Retirement and Social Security Law, Article 7, § 211, which relates to the re-employment of retired public employees. Because of the conditions imposed on such appointments under section 211, they are subject to review at two-year intervals.

Failure to meet the conditions imposed by section 211 on periodic review will result in the loss of section 211 status; it does not result in the termination of a person appointed thereunder, but only serves to make the appointee subject to other laws (Civil Service Law, § 150, New York City Charter, § 1117) which require the suspension of pensions upon accepting other public employment in New York State.

Appellants are presently subject to review of their section 211 status. They complain that if they fail to meet the conditions for continuance of that status, they will be compelled to choose between the suspension of their City pensions and the relinquishment of their State appointments.

Appellants also complain that, as re-employed pensioners, they are precluded from acquiring membership in the New York State Employees' Retirement System by the provisions of Retirement and Social Security Law, § 40, subd. (e) and § 213. Subdivision (c)(9) of section 40 authorizes the membership of an employee

retired under any other public retirement system, provided pension benefits payable under that system are suspended during his active membership in the system.

ARGUMENT

POINT I

APPELLANTS HAVE FAILED TO STATE A CLAIM UPON WHICH JUDICIAL RELIEF CAN BE GRANTED, AND THEIR COMPLAINT WAS PROPERLY DISMISSED.

Appellants contend that their constitutional rights to due process and equal protection of the laws are violated by Retirement and Social Security Law, §§ 40(e), and 211 through 216 inclusive. A quick reference to all the applicable statutes will reveal, however, that plaintiffs have directed their attack against the wrong sections of law!

Section 1117 of the New York City Charter provides as follows:

> "§ 1117. Pensioner not to hold office.--If a person receiving a pension or a retirement allowance made up of such pension and an annuity purchased by the pensioner from the city or any agency, or out of any fund under the city or any agency, by reason of his own prior employment by the city or any agency, shall hold and receive any compensation from any office, employment or position under the state or city or any of the counties included within the city or any municipal corporation or political subdivision of the state, except the offices of inspector of election, poll clerk or ballot clerk under the election law or commissioner of deeds or notary public or jury duty, the payment of said pension only shall be suspended and forfeited during and for the time he shall hold and receive compensation from such office, position or employment; but this section shall not apply where the pension and the salary or compensation of the office, employment or position amount in the aggregate to less than one thousand eight hundred dollars annually. (Derived from former § 897 as amended by L. 1945, ch. 630, L. 1949, ch. 606, L. 1949, ch. 642, L. 1952, ch. 645.)"

Much to the same effect, but with an important exception, New York State Civil Service Law, § 150 provides:

> "§ 150. Suspension of pension and annuity during public employment
>
> "Except as otherwise provided by sections one hundred one, two hundred eleven, and two hundred twelve of the retirement and social security law, section five hundred three of the education law, and except as now provided by any local law or charter, if any person subsequent to his retirement from the civil service of the state or of any municipal corporation or political subdivision of the state, shall accept any office, position or employment in the civil service of the state or of any municipal corporation or political subdivision of the state to which any salary or emolument is attached, except jury duty or the office of inspector of election, poll clerk or ballot clerk under the election law, or the office of notary public or commissioner of deeds, or an elective public office, any pension or annuity awarded or allotted to him upon retirement, and payable by the state, by such municipal corporation or political subdivision, or out of any fund established by or pursuant to law, shall be suspended during such service or employment and while such person is receiving any salary or emolument therefor except reimbursement for traveling expenses." (Emphasis supplied.)

Thus, it can be seen that the City Charter requires the suspension of pension benefits payable to a City retiree who undertakes employment, for compensation in excess of $1800 per annum, with the State or any municipal corporation or political subdivision within the State, for the duration of such employment. Similarly, the Civil Service Law, § 150, requires the suspension of pension benefits to any retiree who accepts employment in any public office in the State, a municipality or a political subdivision, except as provided in Retirement and Social Security Law, §§ 211 and 212, among others, for those who qualify and continue to qualify under those sections.

A.

Section 211 provides in substance that notwithstanding the provisions of other laws, or of any local law or charter (e.g., New York City Charter § 1117) a retired person may be re-employed in the public service without diminution or suspension of his retirement allowance, under certain conditions. These conditions are:

> (1) that the annual compensation in his new position does not exceed the difference between his highest former salary and his maximum annual pension (i.e., without optional modification);
>
> (2) that he is not employed in the service of his former employer, and
>
> (3) that, in the case of employment in State service, he obtain the approval of the State Civil Service Commissio.

The approval of the Civil Service Commission, or other appropriate body or officer under § 211(2)(a) may be granted only upon written request of the prospective employer which shows (a) that the employee is qualified, competent and fit, (b) that there is a need for his services, (c) that there are not readily available other persons qualified to perform the duties of the position and (d) that his employment is in the best interests of the government service.

Presumably, appellants fulfilled all of those conditions, to the satisfaction of the Civil Service Commission, at the time of their respective appointments. Approvals given under § 211 are subject, however, to review every two years.

At the time of their respective appointments, appellants embraced the provisions and conditions of § 211 as working to their benefit. Were it not for sections 211 and 212, appellants could still have been employed by the State of New York but, by virtue of City Charter, § 1117 and Civil Service Law, § 150, they would have had to waive their City pensions. In short, Retirement and Social Security Law, Article 7, which appellants now attack, did not prevent their employment by the State, but rather made it possible without loss of their pensions. Thus, the premise of appellants' First Cause of Action, that sections 211, et seq. operate to terminate appellants' employment and thereby deprive them of money and property without due process, is invalid on its face, and in fact, is contrary to the actual effect of those sections.

B.

In the Second and Third Causes of Action, appellants contend that there is no legal justification for depriving them of their City pensions, in which they allege a "vested right". As demonstrated above, the suspension of appellants' pensions upon re-employment is mandated by City Charter, § 1117 and Civil Service Law, § 150, which are not under attack here. In any case, those sections have been sustained against constitutional attack in an impressive array of decisions by New York State courts. These include:

Fay v. O'Brien, 195 Misc. 865, affd. 300 N.Y. 750 (1950);
Jones v. Valentine, 164 Misc. 443, affd. 276 N.Y. 585 (1937);
Cox v. McElligott, 163 Misc. 619, affd. 276 N.Y. 604 (1937);
Matter of Bachow v. Kowal, 39 Misc 2d 439
(Sup. Ct., Erie Co., 1963);
Matter of Goodell v. Walsh, 185 Misc. 897
(Sup. Ct., New York Co., 1945).

See also, Breithut v. Teachers' Retirement Board,
296 N.Y. 1031 (1947);
162 A.L.R. 1469.

As the foregoing cases have held, "[A] municipal corporation has the right to prescribe the conditions upon which a pension shall be forfeited and its provisions are binding upon the pensioner long before his pension becomes vested" (Matter of Fay v. O'Brien, supra, 195 Misc. at 867). Accordingly, appellants never had a vested interest in the continuation of their pensions upon re-entry into public employment following retirement.

The benefits of public employee pensions in New York State became vested as contractual rights by virtue of Article V, § 7 of the New York State Constitution, on and after July 1, 1940. But prior to that date, such benefits were considered gratuitous, and not irrevocable (Day v. Mruk, 283 App. Div. 233, affd. 307 N.Y. 349 [1954]). When the benefits became contractual in 1940, whatever conditions or limitations had existed in the statutory scheme on and before that date became a part of the contract thereafter (Day v. Mruk, supra). It appears that Civil Service Law § 150 (then numbered § 32) was added by Chapter 78, Laws of New York, 1932. City Charter § 1117 (formerly § 897) has been in

effect since January 1, 1938 (Breithut v. Teachers' Retirement Board, supra). Therefore, since both of those sections ante-dated the constitutional provision vesting pension benefits, they remain as conditions on the contractual relationship (Jones v. Valentine, supra). In other words, the continuation of pension payments following re-entry into public employment is not a vested property right; and to the extent it is permitted by Retirement and Social Security Law, § 211, it is subject to the conditions imposed by that section.

Appellants claim further in their Third Cause of Action that they have a property right in their present State positions, of which they cannot be deprived without due process. Whether they are being deprived of State employment, or merely their pensions is arguable. But since they accepted State employment under the conditions imposed by § 211, et seq., they cannot claim an unlimited property right in those positions. In Arnett v. Kennedy (416 U.S. 134, 40 L. Ed. 2d 15, 94 S. Ct. 1633 [1974]) the Court's decision (per REHNQUIST, J.) held that an employee undertaking Federal employment under the Lloyd-LaFollette Act accepted his appointment subject to the removal provisions of the Act, and hence, had no greater rights to due process. Justice REHNQUIST also noted, in Arnett, the Court's "skeptical" view of a litigant challenging the constitutionality of a statute under which he has simultaneously claimed benefits, citing Fahey v. Malonee (332 U.S. 245, 91 L. Ed. 2030, 67 S. Ct. 1552 [1947]).

In their Fourth Cause of Action, appellants turn their attention to the provisions of Retirement and Social Security Law, §§ 40(e) and 213(a), which prohibit a retired public employee, upon re-entry into public service, from becoming a member of the State Retirement System. They overlook the provisions of § 40(c)(9) of that law, which expressly authorizes such membership conditioned upon suspension of the pension. Once again, the condition is reasonable and justifiable, as the District Court found.

C.

Under the statutory scheme, therefore, appellants are not prevented from being employed by the State of New York, and are not prohibited absolutely from membership thereafter in the State Employees' Retirement System. As a consequence of such employment and membership, however, they may by virtue of other statutes be required to accept the suspension of their City pensions.

In addition, §§ 211 and 212 actually permit re-entry into public service without loss of pension benefits, under certain circumstances, provided a need for the services is demonstrated and continues. Only in that case where such re-employment without loss of pension occurs by virtue of § 213 is there a limitation on the right to join a second retirement system.

POINT II

APPELLANTS' MOTION FOR A HEARING BEFORE A THREE-JUDGE COURT WAS PROPERLY DENIED.

Dismissal of the complaint for failure to state a valid claim and denial of a motion for convening of a three-judge court are, as Judge FOLEY said below "two sides of the same coin". A complaint which, on superficial review as on a motion to dismiss, is found lacking in substance, cannot compel three-judge review merely because it alleges constitutional defects.

In any case, without reference to the motion to dismiss and focusing solely on plaintiffs' motion for the convocation of a three-judge court, appellees submit that the complaint fails to meet the very minimal standards described in Goosby v. Osser, 409 U.S. 512 (1973). It is "essentially fictitious", "wholly insubstantial" and "obviously frivolous or without merit", as Judge FOLEY found.

The complaint here is founded on a perversion of logic and meaning. It asserts that Retirement and Social Security Law, §§ 40(e), 211, 212, et seq. "deprive" appellants of employment for which they are qualified. In truth, those sections actually facilitated appellants' State employment without suspension of their City pensions. Should they, in the future, fail to qualify for the exemptions provided by section 211, they will not automatically forfeit their State positions. They will only have to choose between those positions and the suspension of their pensions.

Furthermore, suspension of the City pension is not the result of any provision of the Retirement and Social Security Law! It is required by Civil Service Law, § 150 and, in the case of New York City pensioners (such as appellants) by the City Charter, § 1117. Neither of those sections is under attack here.

The frivolous and fictitious nature of appellants' claim is demonstrated by the fact that they have failed and refused to acknowledge the impact of Civil Service Law, § 150 and City Charter, § 1117 on the case. They pretend that those sections are "irrelevant"; they ignore the Civil Service Law provision completely and assert that the City Charter section is inapplicable because it "is purely a local law affecting only those employees working for the City of New York. * * * It has no statewide applicability." (Applt. Br., p. 22; emphasis in brief.) Such an argument defies all understanding. On its face, section 1117 is applicable to City pensioners such as appellants.

By the same token, appellants' claim that they are being denied the "right" to become members of the State Employees' Retirement System is essentially fictitious. They may become members under the provisions of Retirement and Social Security Law, § 40(c)(9), which authorizes the membership of a pensioner re-employed in public service, subject only to the suspension of his former pension during active service. As we have pointed out above, there is no vested right to the continuation of pension payments upon re-entry into public service.

Nor is there a question of equal protection, since the provisions of section 40(c) and (e) serve to place all active employees (re-employed public pensioners and all others) on the same footing. Furthermore, as Judge FOLEY pointed out, there is a reasonable basis for requiring the suspension of pension payments when a pensioner returns to active, fully compensated public employment.

CONCLUSION

THE ORDER AND JUDGMENT APPEALED FROM SHOULD BE AFFIRMED.

Dated: April 12, 1976

Respectfully submitted,

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Plaintiffs-Appellants,

-against-

James H. Tully, Jr., et al.,
Defendants-Appellees.

STATE OF NEW YORK)
COUNTY OF ALBANY) ss.:
CITY OF ALBANY)

Beverly J. Smith, being duly sworn, says:

I am over eighteen years of age and a typist in the office of the Attorney General of the State of New York, attorney for the defendants-appellees herein.

On the 14th day of April 1976 I served the annexed brief upon the attorney named below, by depositing two copies thereof, properly enclosed in a sealed, postpaid wrapper, in the letter box of the Capitol Station post office in the City of Albany, New York, a depository under the exclusive care and custody of the United States Post Office Department, directed to the said attorney at the address within the State respectively theretofore designated by him for that purpose as follows:

Samuel Resnicoff, Esq.
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Beverly J. Smith

Sworn to before me this
14th day of April 1976

Ralph D. Gardner

RALPH D. GARDNER
Notary Public, State of New York
No. 4618149
Qualified in Albany County
Commission Expires March 30, 19 77